



IN REPLY
REFER TO:

Regulatory/General Counsel

DEFENSE INFORMATION SYSTEMS AGENCY

701 S. COURTHOUSE ROAD
ARLINGTON, VIRGINIA 22204-2199

DOCKET FILE COPY ORIGINAL

EX PARTE OR LATE FILED

May 28, 1997

William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street N. W.
Washington, D.C. 20554

RE: Notification of *Ex Parte* Communication in GN Docket No. 96-245, Merger of MCI
Communications and British Telecommunications plc

Dear Mr. Caton,

This letter advises of an *ex parte* communication in GN Docket No. 96-245. The communication consisted of a letter dated May 27, 1997, to Chairman Hundt from John P. White, Under Secretary of Defense. The letter transmitted an agreement between the Department of Defense, the Federal Bureau of Investigation, MCI Communications Corporation and British Telecommunications plc.

The letter informed Chairman Hundt that the parties had reached an agreement which resolved national security and law enforcement concerns that arise when a major telecommunications carrier becomes foreign owned. The agreement was enclosed with the letter.

Two copies of the letter and of the agreement are enclosed for placement in the docket file.

2 Enclosures:

1. Letter
2. Agreement

CARL WAYNE SMITH
Acting General Counsel



DEPUTY SECRETARY OF DEFENSE

1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010



27 MAY 1997

Honorable Reed E. Hundt
Chairman, Federal Communications
Commission
1919 M Street, N.W.
Washington, D.C. 20554

Dear Chairman Hundt:

The proposed merger of MCI Communications Corporation (MCI) and British Telecommunications plc (BT) would result, for the first time, in total foreign ownership of a major domestic telecommunications provider. The Department of Defense (DoD) has advised the Commission through formal comments and reply comments that it has serious national security concerns with the proposed merger. We have been working in conjunction with the Federal Bureau of Investigation (FBI) to negotiate an agreement with MCI and BT that provides sufficient procedures and assurances to resolve these concerns. My staff has been keeping the staff of the FCC advised as the negotiations have progressed.

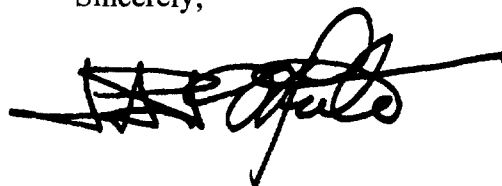
I am pleased to advise you that the negotiations have concluded successfully. Enclosed is a copy of the executed agreement and a proposed condition to be placed by the FCC on any MCI license or authorization for which approval is given to transfer control to any of the new foreign-owned companies. If the Commission so conditions all such licenses and authorizations on compliance with the terms of the agreement, DoD's national security concerns will be addressed satisfactorily.

I would like to explain why the Commission's timing in reviewing this matter is important to us. On May 6, 1997, MCI and BT filed a joint voluntary notice of proposed merger with the Commission on Foreign Investment in the United States (CFIUS), pursuant to section 721 of the Defense Production Act (Exon-Florio). (50 U.S.C. App. § 2170.) The 30-day initial review period to determine whether an investigation should be undertaken expires on June 5, 1997. The issue to be examined during the review is whether there is credible evidence to support a belief that the foreign interest exercising control of MCI might take action that threatens to impair the national security. If the FCC imposes the enclosed condition prior to that time, or if we can be assured that the Commission will so impose such a condition in due course, DoD will not need to consider recommending that an investigation under the CFIUS process be undertaken. It would be preferable if we could avoid this alternative and hope the Commission might be in a position to accommodate our concerns.

I also want to take this opportunity to compliment your staff members with whom we have worked on this matter. Their professionalism and sensitivity to our time requirements brings credit to them and to the Commission they so ably serve.

Two copies of this letter and the enclosures will be filed with the Commission's Secretary.

Sincerely,

A handwritten signature in black ink, appearing to be "J. P. [unclear]", with a long horizontal stroke extending to the right.

Enclosures
As stated

CONDITION TO FCC LICENSES

IT IS FURTHER ORDERED, that the authorization and the licenses related thereto are subject to compliance with provisions of the Agreement between British Telecommunications plc ("BT"), MCI Communications Corporation ("MCI"), and the United States Department of Defense and Federal Bureau of Investigation, dated May ___, 1997, which Agreement is fully binding upon Concert plc ("Concert") and its subsidiaries providing telecommunications services within the United States, and which provides that: (i) all facilities for network management of MCI's domestic United States telecommunications infrastructure and all Concert facilities used to direct, control, supervise, or manage telecommunications within the United States shall be in the United States; (ii) Concert's subsidiaries providing domestic telecommunications services shall adopt and maintain certain policies and measures for preventing the improper use of Concert's network and facilities for unauthorized electronic surveillance and unauthorized access to, or use or disclosure of, Customer Proprietary Network Information in violation of United States law or the Agreement; (iii) Concert's subsidiaries providing domestic telecommunications services shall adopt and maintain certain policies and measures for protecting the confidentiality and security of electronic surveillance orders and authorizations, other orders, legal process, and statutory authorizations and certifications related to subscriber records and information; and (iv) Concert's subsidiaries providing domestic telecommunications services shall implement certain measures requiring personnel security clearances, the use of trustworthy persons who have passed appropriate U.S. Government background checks, secure storage facilities, and the prevention of access by unauthorized personnel to secure or sensitive network facilities and offices, all as covered in the Agreement. Nothing in this Agreement or the Implementation Plan is intended to limit any obligation imposed by Federal law or regulation including, but not limited to, 47 U.S.C. § 222(a) and (c)(1) and the FCC's implementing regulations. This Condition shall also be binding upon any and all successors to and assigns of BT, MCI, and Concert with respect to the provision of U.S. telecommunications service.

**AGREEMENT BETWEEN
(A) BRITISH TELECOMMUNICATIONS PLC AND
MCI COMMUNICATIONS CORPORATION; AND
(B) THE UNITED STATES DEPARTMENT OF DEFENSE
AND FEDERAL BUREAU OF INVESTIGATION**

WHEREAS, the U.S. telecommunications system is essential to the U.S. economy and to U.S. national security, law enforcement, and public safety;

WHEREAS, the U.S. Government considers it critical to maintain the viability, integrity, and security of that system;

WHEREAS, the U.S. Government has a strong interest in ensuring the security of U.S. telecommunications and records and information related thereto in order to protect the privacy of Americans and to prevent espionage, including economic espionage;

WHEREAS, the U.S. Government must ensure the confidentiality of lawful governmental Electronic Surveillance and related activities;

WHEREAS, MCI Communications Corporation, a Delaware corporation with its headquarters in Washington, D.C., operates a major U.S. telecommunications network under licenses granted to it and its subsidiaries by the Federal Communications Commission ("FCC");

WHEREAS, British Telecommunications plc ("BT"), a company registered under the laws of the United Kingdom, and MCI wish to enter into a merger;

WHEREAS, following the merger of BT and MCI Communications Corporation, the merged company would become Concert plc ("Concert"), a company registered under the laws of the United Kingdom, and Concert through MCI would then control a major U.S. telecommunications network;

WHEREAS, a transfer of control of FCC licenses to a foreign entity may proceed only if approved by the FCC, and such approval may be made subject to conditions relating to national security, law enforcement, and public safety;

WHEREAS, on January 24, 1997, the Federal Bureau of Investigation ("FBI") filed comments with the FCC expressing national security, law enforcement, and public safety concerns about the merger;

WHEREAS, on January 24, 1997, the Department of Defense ("DoD") filed comments with the FCC expressing national security concerns about the proposed transaction;

WHEREAS, the U.S. Government has a continuing and long-term need to protect the integrity of the U.S. telecommunications system, to prevent unauthorized electronic surveillance and improper access to U.S. subscriber records and information, and to preserve the security and

confidentiality of lawful governmental Electronic Surveillance and acquisitions of records and information;

WHEREAS, BT and MCI Communications Corporation wish to merge and wish thereby to create in Concert a global telecommunications enterprise that will combine the substantial financial resources and global position of BT with the growth, momentum and market expertise of MCI Communications Corporation and will provide benefits for the shareholders, customers and employees of both companies;

WHEREAS, because it is difficult to predict exactly how Concert may wish to conduct its business in the future due to advances in technology and other factors, the Parties intend to work closely together and to share information to permit the Government to monitor the implementation and assess the efficacy of this Agreement over time;

WHEREAS, the DoD and the FBI have considered the potential ramifications of foreign control in the particular circumstances of this merger and have concluded that governmental concerns pertaining to national security, law enforcement, and public safety can be addressed by means of this Agreement;

NOW, THEREFORE, BT and MCI Communications Corporation are entering into this Agreement with the DoD and the FBI in order to address all objections that the DoD and the FBI might otherwise have to transfer of control of MCI Communications Corporation's FCC licenses pursuant to the merger.

I. General Provisions

A. Certain of the rights and obligations of the Parties under this Agreement are set forth in further detail in an Implementation Plan, which is consistent with this Agreement. Affiliates shall comply with that Implementation Plan, as it may be modified from time to time by the Parties, consistent with the provisions of this Agreement.

B. As used in this Agreement and the Implementation Plan, the following terms shall have the following meanings:

"Affiliates" means BT, MCI, and Concert, and each of them individually, and includes all entities that control or are controlled by any or all of them and all successors and assigns of BT, MCI, Concert, or other entities that control or are controlled by them.

"Customer Proprietary Network Information ('CPNI')" means information as defined in 47 U.S.C. §§ 222(f)(1)(A) & (B).

"Domestic Telecommunications" or "Domestic Telecommunications Services" means the provision of telecommunications services from one U.S. location (any state, district, territory, or possession of the United States) to another U.S. location.

"Domestic Telecommunications Infrastructure" means facilities and/or equipment that transmit Domestic Telecommunications, and any telecommunications facilities and equipment physically located in the United States.

"Electronic Surveillance" means interception of wire, oral, or electronic communications as defined in 18 U.S.C. §§ 2510(1), (2), and (12), respectively, and electronic surveillance as defined in 50 U.S.C. § 1801(f); access to stored wire or electronic communications, as referred to in 18 U.S.C. § 2701; acquisition of dialing or signaling information through pen register or trap and trace devices or other devices or features capable of acquiring such information; and acquisition of location-related information concerning a telecommunications service subscriber.

"Lawful Process" means Electronic Surveillance orders or authorizations, other orders, legal process, statutory authorizations and certifications regarding access to Subscriber Information.

"MCI" shall include the subsidiary of Concert established to provide Domestic Telecommunications Services, its successors and assigns, and all entities controlled by it.

"Sensitive Information" means unclassified information regarding (i) the persons who are the subjects of Lawful Process, (ii) the identity of the government agency or agencies serving such Lawful Process on MCI, (iii) the location or identity of the line, circuit, transmission path or other facilities or equipment used to conduct Electronic Surveillance, (iv) the means of carrying out Electronic Surveillance, (v) the type(s) of service, telephone number(s), records, or other communications subject to Lawful Process, and (vi) other unclassified information designated in writing by an authorized government official as "Sensitive Information."

"Sensitive Network Monitoring Personnel" means personnel responsible for performing network management, operations, maintenance, or security functions who have regular access to facilities, systems, or equipment which enable monitoring of subscribers' wire or electronic communications, including any such communications that are in electronic storage. This term excludes personnel who (i) perform outside plant operations and maintenance functions, (ii) perform network-level monitoring without the responsibility to monitor the content of a subscriber's communications, or (iii) monitor telemarketing calls by MCI personnel or customer-originated calls to MCI.

"Subscriber Information" means information of the type referred to and accessible subject to procedures specified in 18 U.S.C. § 2703(c) or (d) or 18 U.S.C. § 2709, or other legal process established by state law.

C. In response to all reasonable requests made by the DoD or the FBI, Affiliates agree to provide access to information concerning technical, physical, management or other measures and other reasonably available information for the DoD and the FBI to assess Affiliates' compliance with this Agreement and the Implementation Plan and to determine whether additional measures are needed.

D. Any Party may propose additional or alternative reasonable measures (i) for the purpose of preventing violations of this Agreement and the Implementation Plan, or (ii) for the purpose of addressing significant changes in communications technology or the manner in which Affiliates conduct their business. The Parties will consider and discuss all such proposals in good faith.

E. MCI will establish written policies and procedures to ensure compliance with the provisions of this Agreement and the Implementation Plan.

F. MCI will provide training and periodic reminders to MCI's officers and employees of MCI's obligations under this Agreement and the Implementation Plan.

G. Upon reasonable notice and during reasonable hours, the DoD and the FBI may visit any telecommunications facility of any Affiliate in the United States, and may inspect any part of any Affiliate's Domestic Telecommunications Infrastructure for the purpose of verifying compliance with the terms of this Agreement and Implementation Plan. Upon reasonable notice from the DoD or the FBI, Affiliates will make available for interview any of Affiliates' officers or employees located in the United States who are in a position to provide information for verification that the Affiliates are complying with their obligations under this Agreement or the Implementation Plan.

H. As further provided in the Implementation Plan, Affiliates agree to report to the FBI and, as appropriate, the DoD, any information regarding: (i) a breach of this Agreement or the Implementation Plan; (ii) unauthorized electronic surveillance conducted through the Domestic Telecommunications Infrastructure; (iii) access to or disclosure of CPNI relating to Domestic Telecommunications Services in violation of law or regulation or this Agreement; or (iv) improper access to or disclosure of classified information or Sensitive Information in the possession of Affiliates. Affiliates agree to cooperate with the DoD and the FBI in investigating (i) breaches of this Agreement and the Implementation Plan; (ii) unauthorized electronic surveillance conducted through the Domestic Telecommunications Infrastructure; (iii) access to or disclosure of CPNI relating to Domestic Telecommunications Services in violation of law or regulation or this Agreement; or (iv) improper access to or disclosure of classified information or Sensitive Information in the possession of Affiliates.

I. The DoD and the FBI shall take reasonable precautions to protect from improper public disclosure all information submitted by Affiliates to the DoD and the FBI in connection with or in furtherance of this Agreement or the Implementation Plan, and clearly marked with the legend "MCI RESTRICTED," "MCI CONFIDENTIAL," "BT CONFIDENTIAL," "CONCERT CONFIDENTIAL," "IN STRICTEST CONFIDENCE," or similar designation. Such marking shall represent to the DoD and the FBI that the information so marked constitutes "trade secrets" and/or "commercial or financial information obtained from a person and privileged or confidential" within the meaning of 5 U.S.C. § 552(b)(4) or that the information so marked constitutes information from files, the disclosure of which information "would constitute a clearly unwarranted invasion of personal privacy" within the meaning of 5 U.S.C. § 552(b)(6). For purposes of 5 U.S.C. § 552(b)(4), the Parties agree that such information is voluntarily submitted. In the event of a request under 5 U.S.C. § 552(a)(3) for information so marked, the

DoD or the FBI, as appropriate; shall notify Affiliates of such request and consult with them as to any contemplated release (including release in redacted form) of such information. The DoD or the FBI, as appropriate, shall notify the Affiliates of any proposed release of such information under 5 U.S.C. § 552(a)(3).

J. Nothing in this Agreement or the Implementation Plan shall prevent the DoD or the FBI from disseminating information as appropriate to seek enforcement of this Agreement or the Implementation Plan, or otherwise necessary in furtherance of the missions, responsibilities or obligations of the DoD or the FBI, provided that the DoD or the FBI shall take reasonable precautions to protect from improper public disclosure information marked as described in the preceding paragraph; where feasible, the DoD and the FBI will make information available for inspection rather than providing copies thereof.

K. Nothing in this Agreement or the Implementation Plan is intended to limit any obligation imposed by Federal law or regulation including, but not limited to, 47 U.S.C. § 222(a) and (c)(1) and the FCC's implementing regulations (*e.g.*, the DoD or the FBI will only request the details of CPNI pursuant to Lawful Process or prior customer approval).

II. Domestic Network Control Facilities

A. Affiliates' facilities that are part of or are used to direct, control, supervise, or manage all or any part of the Domestic Telecommunications Infrastructure owned, managed, or controlled by the Affiliates, or that are both capable of and specifically configured as a primary, backup, or alternate facility for such direction, control, supervision, or management, shall at all times be located within the United States. Control of the Domestic Telecommunications Infrastructure, and monitoring and diagnosis of problems arising in the Domestic Telecommunications Infrastructure, shall be performed in the United States by trustworthy persons. This provision applies except to the extent and under the conditions concurred in by the DoD and the FBI.

B. Affiliates' facilities referred to in the preceding paragraph will be capable of complying and configured to comply, and Affiliates' officials in the United States will have unconstrained authority to comply, with all National Security and Emergency Preparedness rules, regulations, and orders issued by the FCC pursuant to the Communications Act of 1934, as amended (47 U.S.C. § 151 *et seq.*), as well as with the orders of the President in the exercise of his authority under § 706 of the Communications Act of 1934, as amended (47 U.S.C. § 606), and under § 302(e) of the Aviation Act of 1958 (49 U.S.C. § 40107(b)) and Executive Order 11161 (as amended by Executive Order 11382), as well as future amendments to any of the above authorities, in an effective, efficient, and unimpeded fashion.

C. Affiliates represent that they currently comply with Paragraphs II(A)-(B) above.

D. Nothing in this Agreement or the Implementation Plan shall be interpreted as limiting or expanding any authority over Affiliates' facilities located outside the United States that the Government may possess by virtue of international agreement or the Constitution or laws of the United States.

III. Use of Network and Information

A. MCI agrees to establish and implement effective measures and procedures for the purpose of preventing MCI's employees and others (i) from using MCI's telecommunications network facilities to conduct electronic surveillance of communications in the United States not authorized to be conducted by Federal and State law or regulation; and (ii) from accessing, using or disclosing CPNI arising from the provision of Domestic Telecommunications Services contrary to law or regulation or to the terms of the Agreement or the Implementation Plan. These measures and procedures shall take the form of detailed technical, organizational, and personnel-related measures and written procedures, as set forth or referenced in the Implementation Plan.

B. The Implementation Plan shall include, inter alia, appropriate provisions aimed at preventing (i) unauthorized personnel from gaining access to network elements where electronic surveillance can be conducted; (ii) access, use or disclosure of CPNI contrary to the terms of the Agreement or the Implementation Plan; and (iii) unauthorized access to classified information and Sensitive Information.

C. Sensitive Network Monitoring Personnel

1. As further provided in the Implementation Plan, MCI shall verify the recent employment and residence history of persons who assume positions in the category of Sensitive Network Monitoring Personnel working in any part of the Domestic Telecommunications Infrastructure. MCI shall provide this information, as well as personal identifying information for such persons (including name(s), alias(es), date and place of birth, social security number, visa and passport numbers) to the FBI. The purpose of this provision is to ensure the trustworthiness of Sensitive Network Monitoring Personnel.
2. Following the receipt of this information, if the FBI reasonably believes that a person is not sufficiently trustworthy to occupy a position in the category of Sensitive Network Monitoring Personnel and so notifies MCI, the person shall not be permitted to hold a position in such a category; provided, however, that after fourteen (14) days shall have passed after the provision of required information to the FBI by MCI, and no adverse notice shall have been received from the FBI, that person shall be deemed suitable to begin work as Sensitive Network Monitoring Personnel.
3. If the DoD or the FBI provides information to MCI regarding any person occupying a position in the category of Sensitive Network Monitoring Personnel that reasonably would have precluded that person's occupying a position in the category of Sensitive Network Monitoring Personnel at the outset, then the FBI and MCI shall promptly review this information and promptly make a determination concerning that person's trustworthiness and the appropriateness of such person's continuing to occupy such

position in the category of Sensitive Network Monitoring Personnel. If adverse information material to the trustworthiness of a person within the category of Sensitive Network Monitoring Personnel comes to the attention of MCI, then MCI shall either remove the person from such position or promptly provide information about the matter to the FBI. MCI may provide such information to the FBI in a manner that maintains the anonymity of such person, to the extent feasible and proper.

D. Customer Proprietary Network Information -- Domestic Customers

1. For purposes of this subsection and related provisions of the Implementation Plan, "Domestic Customer" means a customer who subscribes to Domestic Telecommunications Services provided by Affiliates and whose international service is not provided pursuant to a contract or tariff arrangement for international services or similar volume discount arrangement. Use of a telephone calling card or similar device outside the United States does not change a customer's status as a Domestic Customer.

2. Except for CPNI generated as a result of international calls, it is MCI's general practice to store and maintain all CPNI for Domestic Customers within the United States. Affiliates have no intention of materially increasing in the near future the degree of access from outside the United States to CPNI pertaining to Domestic Customers.

3. The FCC presently has pending before it a rulemaking proceeding concerning CPNI (Common Carrier Docket 96-115). The FBI and MCI may submit to the FCC in this Docket comments regarding the issue of access to and storage of CPNI outside the United States. Until the earlier of March 31, 1998, or the effective date of FCC regulations specifically related to this issue, CPNI pertaining to Affiliates' Domestic Telecommunications Services (i) shall be stored and maintained exclusively in the United States, and (ii) shall not be accessible from outside the United States to a materially greater degree than at present. The preceding sentence shall not apply to any Domestic Customer who has approved having his or her CPNI accessible from outside the United States. After the earlier of March 31, 1998, or the effective date of any FCC regulations specifically related to this issue, Affiliates (i) shall comply with those regulations, and (ii) shall in any event, store and have accessible in the United States a copy of all CPNI retained by MCI in the ordinary course of business pertaining to telecommunications that originate or terminate in the United States. The Parties' agreement on provisions relating to CPNI in this Agreement and the Implementation Plan shall be without prejudice to the positions they may choose to take in any proceeding with respect to this issue.

IV. Electronic Surveillance and Subscriber Information

A. MCI shall designate points of contact within the United States with the authority and responsibility for carrying out Lawful Process issued in accordance with Federal or State law or regulation. These points of contact shall be eligible for and shall have been granted appropriate security clearances; foreign ownership of MCI shall not, of itself, make an MCI employee ineligible for a security clearance.

B. MCI shall protect the confidentiality and security of all Lawful Process and the confidentiality and the security of classified information and Sensitive Information in accordance with Federal and State law or regulation and the Implementation Plan.

C. MCI's compliance with its obligations under Paragraphs IV.A. and B. shall take the form of technical, organizational, and personnel-related measures and written procedures set forth or referenced in the Implementation Plan.

D. The Implementation Plan shall set forth, inter alia, appropriate measures (i) for the purpose of preventing unauthorized access to data or facilities that reveal classified information or Sensitive Information; (ii) providing that MCI will assign employees who are U.S. citizens and who meet high standards of trustworthiness for maintaining the confidentiality of Sensitive Information to positions which handle or which regularly deal with information identifiable to such person as Sensitive Information subject to Part IV of this Agreement; (iii) specifying that personnel handling classified information shall be eligible for and shall have been granted appropriate security clearances (employment by MCI shall not make an individual ineligible for a security clearance); (iv) providing that the points of contact described in Paragraph IV.A. shall have sufficient authority over those employees' handling of information relating to the subject of Part IV of this Agreement to maintain the confidentiality of classified information and Sensitive Information; and (v) specifying that MCI will maintain appropriately secure facilities (e.g., offices) for the handling and storage of classified information and/or appropriately secure facilities for the handling and storage of Sensitive Information.

E. MCI's obligations with respect to Lawful Process shall be limited by and to the undertakings set forth in this Agreement, as elaborated in the Implementation Plan between the Parties unless and until they are modified. Nothing in this Agreement or the Implementation Plan is intended to limit any obligation imposed by Federal or State law or regulation.

V. Modification of Agreement and Implementation Plan

This Agreement and the Implementation Plan (to the extent consistent with the Agreement) may be modified by agreement of the Parties. Modifications may be proposed by Affiliates, the DoD, or the FBI. If Affiliates propose a modification, the DoD and the FBI must approve or disapprove the proposed modification within forty-five (45) days. If the DoD or the FBI proposes a modification, Affiliates must approve or disapprove the proposed modification within forty-five (45) days. Any substantial modification to the Agreement shall be reported to the FCC within 30 days after approval by the Parties.

VI. Dispute Resolution and Enforcement of Agreement

A. The Parties shall use their best efforts to resolve any disagreements that may arise under this Agreement or the Implementation Plan, including disagreements arising under Paragraph I.D. or Part V of this Agreement. Disagreements will be addressed in the first instance at the staff level, by the Parties' designated representatives. Any disagreement that has not been resolved at that level shall be submitted promptly to an inter-Party panel of senior officials, unless the DoD or the FBI believes that important national interests can be protected only by

resorting to the measures set forth in Paragraph VI.B. Affiliates' senior official(s) appointed to the panel shall be U.S. citizens and senior corporate officers of Affiliates' principal U.S. affiliate. If the disagreement involves classified information, Affiliates' senior official(s) shall possess the appropriate security clearances. If the disagreement involves the FBI, the FBI's senior official(s) shall be the Assistant Director of the National Security Division and/or his or her designee(s). If the disagreement involves the DoD, the DoD's senior official(s) shall be the Director of the Defense Information Systems Agency and/or his or her designee(s). The panel shall hear a presentation from each Party to the dispute and then attempt to resolve the dispute. If, after the presentations, the Parties' senior officials are unable to agree, any Party may have recourse to the procedures referred to in Paragraph VI.B.

B. Subject to prior compliance with Paragraph VI.A., if any Party believes that any other Party has breached or is about to breach this Agreement or the Implementation Plan, that Party may bring an appropriate action for relief (including equitable relief) before a court of competent jurisdiction. Moreover, subject to prior compliance with Paragraph VI.A., if the FBI or DoD believes that any of the Affiliates has breached or is about to breach this Agreement, the FBI or DoD alternatively may bring an action for relief (including equitable relief) before the FCC. Subject to prior compliance with Paragraph VI.A., Affiliates may petition the FCC for a declaratory ruling with respect to Affiliates' obligations under this Agreement. Nothing in this Agreement shall waive any defenses to or immunities from suit that a Party may otherwise have.

C. Nothing in this Agreement or the Implementation Plan is intended to confer or does confer any rights on anyone other than the Parties hereto.

D. With the exception of service of Lawful Process, all requests for information, visits or interviews, proposed modifications, reports, and notices under this Agreement and the Implementation Plan shall be made by and to the Parties' designated representatives. The Parties shall designate their representatives within thirty (30) days of the execution of this Agreement. Until such time, the representatives shall be:

MCI
General Counsel
1801 Pennsylvania Ave., N.W.
Washington, D.C. 20006

BT
President, BT North America Inc.
North Building, Suite 725
601 Pennsylvania Ave., N.W.
Washington, D.C. 20004

Federal Bureau of Investigation
Assistant Director
National Security Division
935 Pennsylvania Ave., N.W.
Washington, D.C. 20535

Department of Defense
General Counsel
1600 Defense Pentagon
Washington, D.C. 20301

VII. Non-Objection

Based on the execution of this Agreement and assuming the approval thereof and the adoption of the Condition to FCC Licenses by the FCC, the DoD and the FBI (i) will notify the

FCC that they have no objection to the proposed transfer of control of MCI's FCC licenses, and (ii) will not make any objection they otherwise would have made concerning the merger to the Committee on Foreign Investment in the United States or the President.

VIII. Effective Date of Agreement and Implementation Plan

The provisions of this Agreement and the Implementation Plan shall take effect on the date of consummation of the merger between BT and MCI Communications Corporation, except that the following provisions shall take effect as follows:

A. The provisions of Paragraph III.C., relating to Sensitive Network Monitoring Personnel, shall take effect on the date thirty (30) days after the date of consummation of the merger.


B. The provisions of Paragraph III.D., relating to CPNI for Domestic Customers, and related provisions of the Implementation Plan shall take effect immediately upon the execution of this Agreement.

C. The provisions of Part VII, relating to withdrawal of objections by the DoD and the FBI, shall take effect immediately upon the execution of this Agreement.

This Agreement executed as follows:

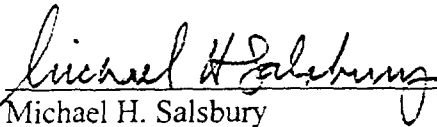
Date: 22 MAY 1997

British Telecommunications plc


James E. Graf II
President, BT North America Inc.

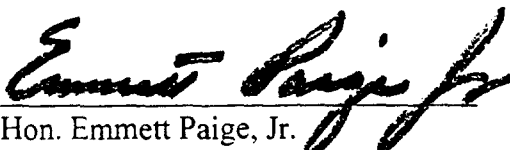
Date: 22 MAY 1997

MCI Communications Corporation


Michael H. Salsbury
Executive Vice President and
General Counsel
MCI Communications Corporation

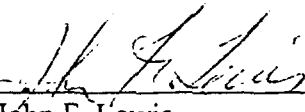
Date: 22 MAY 1997

United States Department of Defense


Hon. Emmett Paige, Jr.
Assistant Secretary of Defense
(Command, Control, Communications
and Intelligence)

Date: 22 MAY 1997

Federal Bureau of Investigation


John F. Lewis
Assistant Director
National Security Division